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## Lost Earning Capacity Report

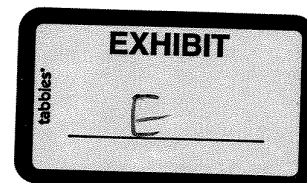
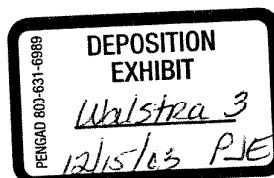
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Name: Michael Liller  
Date of Birth: 4/26/77  
Age: 26  
Referral Source: Arnold F. Phillips, Esquire  
Date of Accident: 4/17/02  
Date of Report: 9/12/03

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## Reports Review

Dr. Cohen indicates in his report of 9/10/03: "His skills improved and at the time of the accident he was a working Foreman running a crew of four to five men. He was earning at the rate of \$12 per hour, without benefits but with overtime and bonuses he was earning approximately \$600 per week. He eventually planned to take over the family construction business when his father retired... Michael was hurt on 4/17/02 .... Based on the schedule provided by his doctors he began to return slowly to work in 10/02. He has gradually increased the number of hours that he works to the point that he is now working full time. However, he has found that with his cognitive impairments he is unable to act as a foreman. He is unable to make decisions, or tell others what to do the way he used to. If given specific directions he is able to complete a carpentry task he believes at a reasonable good level of competence. He is now paid at the rate of \$300 per week regardless of how long he works. This translates to \$8 per hour, which is the rate that his father normally pays laborers.... his mother paying his bills for him since the accident.... He needs a full neuropsychological assessment ... functioning capacity. He needs psychiatric treatment for his depression and anxiety. This treatment should include psychiatric office visits once a month for a year and once every three-month for two additional years. He will need psychotherapy and cognitive retraining once a week for a year, once every two weeks for another and once a month for the third year. He is likely to need psychotropic medications for a least three years... It is therefore my opinion, based on a reasonable degree of professional certainty, that Michael Liller, if not for the accident on 4/17/02 had the earnings capacity of \$12 per hour working as a construction foreman in his families business. His earnings capacity would have increased to his father's level once he took over the family business. Due to the accident his earnings capacity has been reduced to \$8 per hour. He has past and future losses of earnings capacity. He also has the need for substantial additional treatment."



## Introduction

Michael Liller is twenty-six year old male who suffered brain injury on 4/17/02 as a result of a car accident. His date of birth is 4/26/77. Before the accident he was working as a foreman earning \$12.00 per hour. Since returning to work on 10/02 he is earning \$8.00 per hour. He reports that he started working full time since 1/03. In his job he did not receive fringe benefits. He is a high school graduate. At home, he can no longer pay the bills.

### ***Assumptions:***

At the time of the injury, Michael was 24.98 years old. His annual earning capacity before the accident was \$24,960.00. After the accident, Michael's earning capacity after the accident is \$16,640.00. His work life expectancy (WLE) is until age 67, his social security retirement age, is 42.02 years. His healthy life expectancy at age 25 was 52.4 years.<sup>1</sup> The real interest rate used for discounting to net present value is 2.5%. The real wage growth rate used is 1.12%.<sup>2</sup> The net discount rate is 1.38%.

The rate used for his lost ability to produce household services is \$5.15 per hour. It is assumed that he lost the ability of producing household services for one hour per week. This loss consists of the inability to perform administrative tasks, including paying bills.

## Calculations

### ***Past Lost Earning Capacity***

Michael lost a half-year of work. He then worked for .17 year only half time and then for .71 years he worked full time. Therefore, his past lost earning capacity is **\$21,147**

### ***Future lost earning capacity***

Michael's earning capacity has been reduced by \$8,320.00 per year. Over a future period of 40.65 years, discounted to present value the lost earning capacity is **\$258,559.05**.

The total of past and future lost earning capacity is **\$279,705.72**.

### ***Lost household services***

His past lost ability to perform household services is a period of 1.38 years. The loss is \$369.56.

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<sup>1</sup> National Vital Statistics Reports, Vol. 51, No. 3 Dec. 19, 2002

<sup>2</sup> Economic Report of the President, 2003

His future lost ability to perform household services is discounted to present value \$12,693.72.

The total lost household services is **\$13,063.28**

### **Medical expenses**

If Michael uses psychotropic medication, for example "Zoloft," it will cost him \$1,500 per year. The cost associated with this treatment plan will be \$4,337 in net present value.<sup>3</sup> A full neuro-psychological assessment will cost him \$1,000.00. Follow-up treatment for 3 years will cost \$609.16 in Net Present Value. The total cost is \$5,946.16

### **Summary**

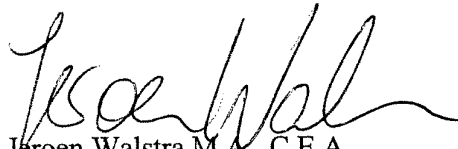
As a result of the accident Michael Liller suffered the following economic damages:

#### **Summary**

Past lost earnings	\$21,146.67
Future lost earnings	\$ 258,559.05
Lost Household services	\$ 13,063.28
Future Medical Expenses	\$5,946.16
<b>Total</b>	<b>\$298,715.16</b>

The total economic damage is \$298,715.16.

It is my opinion, based on a reasonable degree of professional certainty, that the above calculations are accurate.

  
 Jeroen Walstra M.A., C.E.A.  
 Earnings Analyst

<sup>3</sup> <http://www.popularprescriptiondrugs.com/zoloft.htm>, Economic Report of the President, 2003, table B-73